

If retailers offer discounted prices for items and do not receive any reimbursement or rebate for those discounts, the lower amounts received for those items would be the retailers' gross receipts for those sales. See 86 Ill. Adm. Code 130.401. (This is a GIL.)

January 7, 1999

Dear Mr. Xxxxx:

This letter is in response to your letter dated November 13, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

Is sales tax charged on the amount before or after cash discounts? For example, a customer is sold items totaling \$100.00 on terms of 2% 10, net 30. Sales tax of \$6.75 is added to the invoice.

Is the correct amount for the customer to pay \$106.75 less 2% on \$100.00 or 106.25 less 2% on \$106.25? If the latter is correct, how is the reduced amount of sales tax reported on RR-1-a?

Retailers incur Retailers' Occupation Tax on their gross receipts from retail sales. Gross receipts are defined as all the consideration actually received by a seller from whatever source, except traded-in tangible personal property. See the enclosed copy of 86 Ill. Adm. Code 130.401. If sellers receive a reimbursement or rebate from any other source, the amount of that reimbursement or rebate is considered part of the gross receipts received by those sellers and is fully taxable.

If retailers offer discounted prices for items and do not receive any reimbursement or rebate for those discounts, the lower amounts received for those items would be the retailers' gross receipts for those sales. The retailers would incur Retailers' Occupation Tax on those lower amounts and the purchasers would pay the corresponding Use Tax to the retailers based upon those same amounts. See the enclosed copies of 86 Ill. Adm. Code 130.420, Discounts, and 130.2125, Trading Stamps and Discount Coupons.

I hope this information is helpful. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

ST 99-0022-GIL

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Gina Roccaforte
Associate Counsel

GR:msk
Enc.